Policy Issues

Acomplex knot of difficult and intertwined policy and land-use planning issues stand in the way of change for the Upper River. Existing policies supporting heavy industry while promoting light-industrial development and parks are in conflict. Basic questions about current conditions and future uses cut to the core conception of the Upper River: Should the river be developed as an amenity or should it remain a working river? And from an economic development perspective, is the working river working?

Policy and the Central Riverfront: A model for the Upper River?

When *Mississippi/Minneapolis* was published in 1972 it was clear that the industrial era on the Central Riverfront was past. The mills stood silent and grain silos empty. The Milwaukee Road abandoned rail passenger service along with its yard and depot at 3rd and Washington in 1971, while the Burlington Northern looked to its land development subsidiary to find new uses for its redundant yard north of downtown. Nicollet Island was blighted with old empty factories and crumbling houses. Yet, seeing the slow decline, policy makers had decades to prepare.

The 1972 plan provided a vision, but one that required imagination to grasp and will to accomplish. Land-use zoning was changed to reflect the proposed development patterns, public works were planned and implemented—constructing new roads, bridges, and parks, with a project-by-project investment of hundreds of millions of dollars. In turn, the private sector made substantial investments: large development corporations built high-rise residential apartments and condominiums with views of the river and renovated historic structures along St. Anthony Main, while individual families turned the once decrepit Nicollet Island into a village of historic homes.

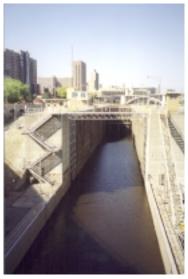
Projects and uses achieved varying levels of success, but now almost 30 years later, the pace of construction has gained momentum, with developments such as River Station, Sawmill Run, and the Northstar Mill, making the central riverfront the place to be for downtown living. With hundreds of new residential units, a new Federal Reserve Bank, and other projects going on along the Central Riverfront, generating millions of dollars in new tax base, the concept of the river as an amenity is gaining ground on the old idea of the river as an essential part of the city's transportation infrastructure. In fact, new construction stretches out from downtown all the way to Plymouth Ave.

While the experience of the Central Riverfront shows what can be done through a concerted public and private effort, the need for action along the Upper River does not seem, at first glance, as imperative. The Central Riverfront abuts the downtown business district, the Upper River is easily overlooked and passed by. And the policy for the Upper River was set long ago by public investments, starting as far back as the 1940s, with Congress funding the locks over the falls and the City investing millions in the Upper Harbor Terminal. The Upper River was to be Minneapolis' working river. But the question to be resolved now is has this concept of the river returned benefits to justify present and future costs?

Commercial Navigation on the Upper River

Histories of Minneapolis discuss the long held desire by civic leaders to extend river navigation upstream from St. Paul. In the nineteenth century the main goal was to bring passenger vessels up to the Lower Falls. Decades of rivalry between St. Paul and Minneapolis, and water power magnates and navigation proponents, led to many fruitless proposals to build locks and dams in a number of places between the Lower Falls and Fort Snelling. Finally, a dam construction project was started, only to have a higher dam near the mouth of Minnehaha Creek scuttle the effort. This resulted in the "High Dam," more commonly known as the Ford Lock and Dam, so named following sale of power generation rights to Henry Ford to secure a deal for an automobile manufacturing plant.

The pool of water behind the Ford Dam allowed passage up to the flats below the Washington Avenue Bridge. But as soon as this section of the river was opened in 1917, city leaders and navigation boosters began an indefatigable lobbying of Congress to construct further locks over the Falls of St. Anthony. The lock over the Lower Falls dam was finally completed in 1956. Construction of the lock over the Upper Falls was begun soon after, in 1959, and completed in 1963. These locks were known as the "Upper Harbor" project, because they opened the area above the falls as a new harbor. Opponents of the project argued at the time that it was an unnecessary and unwise investment that would result in few benefits to the city.



Upper Falls Lock

Today, nearly 40 years after the opening of the Upper Falls lock, the results from both a land-use and economic development standpoint are clear. There are four barge terminal users: a sand and gravel operation, a scrap metal yard, a cement storage facility, and the Upper Harbor Terminal.

Key points to understanding river navigation on the Upper River further illuminate the present situation:

- Annual public cost for navigation on the Upper River is \$3.1 million, budgeted by the Army Corps of Engineers for lock and channel maintenance.
- Only 2 barges and a towboat fit through the St. Anthony Locks during any one lockage, compared to 9 barges on all the locks down river, from St. Paul to St. Louis.
- Roundtrip time from the Port of St. Paul to the Upper River is 12 hours.
- Additional costs due to less efficient 2-barge operations are \$0.50 per ton on the Upper River, compared to \$0.25 on the Minnesota River and \$0.10 to move barges around the Port of St. Paul.
- Minimum threshold set by the Corps to justify the public cost of barging is 1 million tons.
- Tonnage totals for the Upper River fluctuate, with a peak of 2.3 million tons in 1975 and low of 0.66 million tons in 1989. Tonnage average 1989 to 1998 was 1.58 million tons.
- The barging season on the Upper River is usually about 8 months, depending on the weather.
- Upper River barge terminals employ approximately 80 persons, many on a seasonal basis.
- Barge terminal operations occupy 72 acres of land
- In total, barge terminal operations pay less than \$300,000 in annual property taxes (an average of \$4,167 per acre, or less than 10 cents per square foot).

Upper Harbor Terminal

Perhaps the key policy issue for the Upper River is the status and future of the Upper Harbor Terminal (UHT). This 48-acre barge terminal facility is owned by the City of Minneapolis. The MCDA manages the terminal, with a private company handling operations. Nine acres of the site are used to store dredge spoils, basically riverbed sand, which the Corps of Engineers dredges to maintain a nine-foot-deep barge navigation channel on the Upper River. An additional seven-acre parcel south of the barge docks is vacant. In addition to dredge spoils, the UHT site contains large piles of road salt and coal. The remaining parts of the site contain a warehouse, grain elevator, three concrete storage domes, asphalt tanks, a railroad yard, and three barge

docking areas. A series of conveyors is used to transport materials between the three modes of barge, railcar, and truck. The operation also has its own towboat, locomotive, crane, and other equipment.

While many barge terminals in other cities, including St. Paul, are privately owned, the City of Minneapolis owns the UHT, providing the land and original capital investment. Although the terminal has generated a positive cash flow, service on the original debt has caused annual deficits, with the City, through the MCDA budget, subsidizing the operation in the amount of \$500,000 to \$1 million each year for the past 30 years. Bonds used to finance the terminal are scheduled to be paid off by the end of 1999. Positive cash flow in subsequent years will provide revenue to the City, however, the UHT will continue to be exempt from property taxes. This lack of a tax-generating use of this 48-acre riverfront site is an ongoing opportunity cost. Even if much of the site were used as nontaxed parkland, the adjacent properties would rise in value.

A full report on the Upper Harbor Terminal and river navigation issues is included in the Appendix. Some points useful for policy consideration include:

- Only 5 to 8 percent of material moved through the UHT is related to business in Minneapolis, an additional 12 to 15 percent in the metropolitan area, with the balance of 80 percent originating or destined for greater Minnesota, other states, and Canada.
- The UHT employs approximately 30 persons, half on a seasonal basis. Employment density is less than 1 job per acre.
- The UHT, at roughly 1 million tons per year, generates from half to two-thirds of the annual tonnage moving through the Minneapolis locks.

"If a good harbor does not come to Minneapolis, much of Minneapolis will go where there is a good harbor."

"I don't know of any public works appropriation that I voted for that will bring as many benefits as this one in 50 or 100 years."

— Congressman Walter Judd, 1954 and 1963



Upper Harbor Terminal

To barge or not to barge?

The Upper River Master Plan is essentially a land-use plan that investigated commercial barging as one of the key issues regarding the use of riverfront land. The Master Plan makes recommendations on the highest and best use of land in accordance with the stated planning objectives. However, the Army Corps of Engineers, and ultimately the U. S. Congress, have final say over the future operation of the three locks in Minneapolis.

The fate of the Upper Harbor Terminal will be determined by the Minneapolis City Council, as a separate issue for discussion or as an ongoing part of the City's annual budget process. **The City of Minneapolis has invested millions of dollars in the UHT and has not to date received any identifiable economic benefit.** With the bonds paid off, it is anticipated that the UHT will generate limited revenue for the City. However, capital equipment at the terminal will require ongoing maintenance, and big ticket items at some point will need to be replaced, most likely requiring additional subsidies by the City. It remains unclear why the City of Minneapolis is in the barge terminal business.

Private barge terminal users benefit from the City's operation of the UHT, since the UHT is the major factor in justifying annual federal expenditures on the Minneapolis locks and channel dredge and maintenance operations. All of the businesses that operate private terminals provide necessary commodities and services to the city and region. CAMAS provides aggregate for making concrete, with Holnam Cement also operating a terminal. American Iron and Supply gathers recyclable metals from demolished buildings and other sources. The availability of publicly subsidized barging as a transport option allows these businesses to operate at a lower cost. However, it should be noted that competing businesses in the study area, and other parts of the region, move scrap metal and cement solely by rail or truck.

Barge terminals are intermodal transfer facilities, and as such, bulk materials are loaded on or off railcars and trucks, concentrating rail and truck traffic on the west bank of the Upper River. Relocation of this traffic to other facilities may cause minuscule regional impacts. A comparison of the costs of barges versus trucks is included in the Appendix, however real world impacts of a shift to other modes are not known. Not all of the shift would be to trucks, and some origins and destinations may be closer to other terminals; likewise the assumption used is that goods would move by truck from the Upper River area, but this is only for purposes of comparison: most goods originate far from the Upper River and are destined elsewhere. For instance, grain now off-loaded from railcars at the UHT would not travel by truck from the study area to St. Paul, it would continue on rail to its final destination.

In fact, there are over 30 other barge terminals in the Twin Cities metropolitan area, on the Mississippi in St. Paul and also on the Minnesota River. Terminals in St. Paul can easily absorb the much smaller volumes moving through the Upper River. If barging were discontinued on the Upper River, it is likely that truck traffic in the study area would substantially decrease, as commodities would no longer be transported into and out of the area on barges and trucks.

Future of Employment and Economic Development

In the first half of the twentieth century when the construction of the locks at St. Anthony Falls was proposed, the future of cities and their economic development seemed inextricably linked to heavy manufacturing, which required easy access to bulk materials. Minneapolis' regional and national role though has been limited in the area of complex manufacturing, rather the city's original purpose was bulk materials processing: sawing logs and milling wheat. The capital accumulated by these early industries has subsequently been reinvested, transforming the city's economy away from industry to office and high-technology businesses.

The small number of businesses that located along the Upper River to take advantage of barging are bulk-material-handling businesses, rather than the hoped for manufacturing plants. By the very nature of their operations these businesses require open storage of materials: piles of sand, gravel, and scrap metals. These materials are unsightly viewed from the land or river. They are also frequently noisy and dirty operations that will understandably conflict with other uses. In 1997 the Japs-Olson printing facility moved out of the study area to a suburban location away from the scrap metals yards surrounding their property. The move resulted in the loss to the city of over 500 jobs paying good wages. This relocation is an example of the choices confronting policy makers regarding land-use issues in the study area. Currently, job densities for the bulk material industries are low, approximately one job per acre, with seasonal layoffs. MCDA guidelines seek 1 job per 1000 square feet of building, with a minimum of 40 percent site coverage, which works out to approximately 17 jobs per acre. Much of the benefits of the MCDA's effort on the North Washington Industrial Park have come by offering land with the objective of placing businesses that provide jobs with good wages, in enclosed facilities, in growth industries, such as graphic arts and laboratories. The jobs per acre of these light industries are much higher than barging, land-intensive uses, such as the UHT. The jobs provided are also year round, rather than seasonal.

The basic direction of industry and employment at the turn of the twenty-first century is perhaps easier to predict than during previous decades. Manufacturing employment in the United States continues to decline, service and information jobs are increasing. While river navigation may have been the eighteenth- and nineteenth-century's vital communication and transport infrastructure, sustained growth in the Upper River area could very well be more dependent on new high-speed communications cables than on barges.

The basic land-use planning objectives of the Upper River Master Plan can facilitate economic development goals through the creation of new urban riverfront parks and recreational facilities. Quality of life issues are playing an increasing role in attracting entrepreneurs and retaining skilled employees. The Upper River area has the potential to be an exciting urban area, immediately north of downtown, with a mix of new light manufacturing, studio, and live-work units. Parks will attract adjacent housing, and also riverfront hospitality venues that provide jobs in the service sector. If public policy sets a new course for the Upper River, away from bulk material handling, with a clear goal of creating a twenty-first century city location, then the question becomes how to best balance the variety of land uses.

"Those heavy industrial uses currently operating with a negative impact on their surroundings and generating relatively low job counts should be required to mitigate their impact and encouraged to relocate when possible. . . . Minneapolis will support the existing economic base by providing adequate land and infrastructure to make city sites attractive to businesses willing to invest in high job density, low impact light industrial activity.

– The Minneapolis Plan, 1997

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